FW: IESO Treasury Policy - likely revising for June 2017

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Date:	Wed, 14 Jun 2017 17:25:07 -0400
Attachments:	Item 8(iii) BLACKLINED Treasury Policy June 14 2017.pdf (18.31 kB); Item 8(iv) BLACKLINED Schedule A - IESO Treasury Policy.pdf (47.35 kB)

Hi Marianne,

Just a heads up. The IESO is amending its treasury policy to accommodate what it needs to do under the Fair Hydro Plan.

We had received a draft a couple weeks ago, and the proposed revision was just approved by the IESO Board.

The IESO is required under regulation to seek the Minister of Finance's approval of its treasury policy, so a request should be forthcoming soon.

Ron

From: Anthony Martinello [mailto:Anthony.Martinello@ieso.ca]
Sent: Tuesday, May 30, 2017 11:29 AM
To: Salman Qadir <Salman.Qadir@ofina.on.ca>
Subject: RE: IESO Treasury Policy - likely revising for June 2017

Salman,

Attached is a preliminary draft of the Treasury Policy and Sch A for your review.

Two changes have been made:
1. Permitting Fair Hydro program borrowings – self explanatory rationale; and
2. Increase from $420 million to $500 million in Sch A's Cdn Banks max limit per counter party.

The key rationale for the requested increase from $420 million to $500 million per counterparty is as follows:
• The market price of electricity has increased between 2014 to 2016 by approximately 16%-19% which has continued to result in the IESO managing higher and higher cash-flows and therefore seeking risk appropriate investments in accordance with the Treasury Policy – a large limit will allow the IESO to have more flexibility while being efficient with its cash;

• Over the past few years and relevant today, the availability of short-term (generally 1 day to 7 days which is used a lot by the IESO, and including less than 30 days investment) products such as Treasury Bills, BAs and Term Deposits have been irregular and not reliable for the IESO to find. The IESO generally deals in large amounts (several hundreds of millions) and given the lack of short term products at the size the IESO needs, the Sch 1 banks have been generally offering Term Deposits for the IESO at very low interest rates because the Banks do not need the IESO monies. In fact, a few banks offer the IESO less than 10bps for Term Deposits – which is significantly lower than Bank of Canada overnight rate and BAs rates. Therefore, a Term Deposit with very low interest yield does not align with a resulting lower counterparty risk for the IESO; and

• The IESO's Transmission Rights balances have in general remained higher than $100 million on average over the last few years despite an IESO target of $20 million. This has resulted in the IESO managing higher cash-flows

- While the Fair Hydro program is likely to not impact the IESO's overall net cash balances (borrow / sell should generally align), the timing of these cash flows may be different at times and the IESO may hold more cash (short term basis) for a few days. The sales/service agreement with OPG Trust has not been completed, and I am just listing this as a contingency in case for some reason IESO holds larger cash balances before paying back the Fair Hydro loans.

Regards.

> <Item 8(iii) BLACKLINED Treasury Policy June 14 2017_Markup.docx>